

EAST JORDAN HOUSING COMMISSION  
EAST JORDAN, MICHIGAN

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2007  
AND  
REPORTS ON INTERNAL CONTROL AND  
COMPLIANCE

# Auditing Procedures Report

Instructions and MuniCodes

\*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.07)

Unit Name* East Jordan Housing Commission	County* CHARLEVOIX	Type* OTHER	MuniCode*
Opinion Date-Use Calendar* September 9, 2007	Audit Submitted-Use Calendar* September 10, 2007	Fiscal Year End Month* 12	Fiscal Year* 2007

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	8. Has the local unit distributed tax revenues that were collected for another taxing unit timely as required by the general property tax act?
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin)?
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/> ?	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> ?	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input type="checkbox"/> ?	18. Are there reported deficiencies?
<input checked="" type="checkbox"/> ?	19. If so, was it attached to the audit report?

General Fund Revenue:	<input type="checkbox"/> ? \$158,610
General Fund Expenditure:	<input type="checkbox"/> ? \$209,755
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	<input type="checkbox"/> ? \$501,621
Governmental Activities Long-Term Debt (see instructions):	<input type="checkbox"/> ?

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* Barry	Last Name* Gaudette	Ten Digit License Number* 1101011050		
CPA Street Address* 731 S. Garfield Ave.	City* Traverse City	State* MI	Zip Code* 49686	Telephone* 2319468930
CPA Firm Name* Barry E. Gaudette, CPA, PC	Unit's Street Address* 451 Water Street	Unit's City* East Jordan	Unit's Zip* 49727	

EAST JORDAN HOUSING COMMISSION  
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*Independent Auditor's Report*

Board of Commissioners  
East Jordan Housing Commission  
East Jordan, Michigan

I have audited the accompanying financial statements of the business-type activities of the East Jordan Housing Commission, Michigan, a component unit of the City of East Jordan, as of and for the year ended December 31, 2007, which comprise the Housing Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the East Jordan Housing Commission, Michigan, as of December 31, 2007, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

East Jordan Housing Commission  
Independent Auditor's Report  
Page Two

In accordance with *Government Auditing Standards*, I have also issued my report dated September 9, 2008, on my consideration of the East Jordan Housing Commission, Michigan's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of my audit.

The management's discussion and analysis comparison information on pages 3 through 9, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the financial statements that comprise the East Jordan Housing Commission, Michigan's basic financial statements. The accompanying Financial Data Schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The accompanying combining financial statements and the financial data schedule have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects, in all material respects, in relation to the basic financial statements taken as a whole.

*Bary E. Smith, CPA, PL*

September 9, 2008

**East Jordan Housing Commission  
Management's Discussion and Analysis (MD&A)  
December 31, 2007  
(Unaudited)**

As management of the East Jordan Housing Commission we offer reviewers of this audit report this narrative discussion and analysis of the East Jordan Housing Commission's financial activities for the fiscal year ended December 31, 2007. This discussion and analysis letter of the East Jordan Housing Commission's financial performance should be read in conjunction with the auditor's opinion letter and the following Financial Statements.

The combined financial statements reflect all of the Commission's federally funded programs and activities in one place. The Commission reports all its activities and programs using the Enterprise Fund type model. HUD encourages PHAs to use this accounting method as it is normally used to account for "business-type activities" - activities similar to those found in the private sector. Enterprise Fund types use the accrual method of accounting, the same accounting method employed by most private-sector businesses. Under this method, revenues and expenditures may be reported as such even though no cash transactions has actually taken place.

**Financial Highlights**

The term "net assets" refers to the difference between assets and liabilities. The Commission's total net assets as of December 31, 2007 were \$422,082. The net assets decreased by \$51,145, a decrease of 9.3% from the prior year.

Revenues and contributions for the Commission were \$158,610 for the year ended December 31, 2007. This was a decrease of \$18,017 or 10.2% from the prior year.

Expenses for the Commission were \$209,755 for the year ended December 31, 2007. This was an increase of \$29,298 or 16.2% over the prior year.

HUD operating grant subsidies were \$43,075 for the year ended December 31, 2007. This was a decrease of \$6,725 or 13.5% from the prior year. Capital contributions for the Commission were \$19,300 for the year ended December 31, 2007. This was a decrease of \$19,749 or 50.6% from the prior year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report contains this *Management & Discussion Analysis* report, the *Basic Financial Statements* and the *Notes to the Financial Statements*. This report also contains the *Financial Data Schedule (FDS)* as referenced in the section of *Supplemental Information*. The Commission's financial statements are presented as fund financial statements because the Commission only has

East Jordan Housing Commission  
Management's Discussion and Analysis (MD&A)  
December 31, 2007  
(Continued)

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

proprietary funds.

Required Financial Statements

The *Statement of Net Assets* includes the Commission's assets and liabilities and provides information about the nature and amounts of investments in resources(assets) and obligations of the Commission creditors(liabilities). It also provides the basis for evaluating the liquidity and financial flexibility of the Commission.

All of the current year's revenues and expenses are accounted for in the *Statement of Revenues, Expenses, and Changes in Net Assets*. This statement measures the success of the Commission's operations over the past year and can be used to determine whether the Commission has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the *Statement of Cash Flows*. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and provide more detailed data.

Supplemental Information

This report also contains the Financial Data Schedule(FDS) as referenced in the section of *Supplemental Information*. HUD has established Uniform Financial Reporting Standards that require Housing Commissions to submit financial information electronically to HUD using the FDS format. This financial information was electronically transmitted to the Real Estate Assessment Center (REAC) and is required to be included in the audit reporting package.

**East Jordan Housing Commission  
Management's Discussion and Analysis (MD&A)  
December 31, 2007  
(Continued)**

**FUND STATEMENTS**

The Financial Data Schedule reports the Commission's operations in more detail. The Commission reports all its activities using Enterprise fund types. These funds are used to show activities that operate more like commercial enterprises. The Financial Data Schedule is organized by the government Catalogue of Financial Domestic Assistance (CFDA) numbers.

**East Jordan Housing Commission Programs:**

Low Rent Public Housing: Under this program, the Housing Commission rents units that it owns to low-income elderly and family households. This program is operated under an Annual Contributions Contract with HUD. HUD provides Operating Subsidies to enable the Housing Commission to lease these units at a rate that is based on 30% of the household income. The Housing Commission has 27 low rent units.

Capital Fund Program: Under this program, the Housing Commission is awarded funds each year to use for Capital needs. Normally a Housing Commission has the ability to use up to 20% of these funds, if need be, to supplement Operating Subsidies, but since the Housing Commission has less than 250 units they are permitted to use more than 20%. This program is the primary funding source for physical improvements to its properties.

**FINANCIAL ANALYSIS**

Net assets may serve, over time, as a useful indicator of a government's financial position. As stated in the following table, assets exceeded liabilities by \$499,123 at the close of the year ended December 31, 2007 down from \$550,268 in 2006. The decrease in net assets of \$51,145 was due to the change in net assets for the year.

The unrestricted net assets were \$77,041 as of December 31, 2007. This amount may be used to meet the Commission's ongoing obligations. The Commission had no net assets classified as restricted that are subject to external restrictions on how they may be used. At the end of the current fiscal year, the Commission is able to report positive balances in all categories of net assets. The same situation held true for the prior fiscal year.



East Jordan Housing Commission  
Management's Discussion and Analysis (MD&A)  
December 31, 2007  
(Continued)

FINANCIAL ANALYSIS (CONTINUED)

CONDENSED STATEMENTS OF NET ASSETS  
DECEMBER 31,

	2007	2006	Net Change
Current and other assets	\$ 103,373	\$ 161,661	\$( 58,288)
Capital assets	422,082	417,730	4,352
Total assets	<u>\$ 525,455</u>	<u>\$ 579,391</u>	<u>\$( 53,936)</u>
Current liabilities	\$ 20,007	\$ 21,331	\$( 1,324)
Noncurrent liabilities	6,325	7,792	( 1,467)
Total liabilities	<u>26,332</u>	<u>29,123</u>	<u>( 2,791)</u>
Net assets:			
Invested in capital assets	422,082	417,730	4,352
Unrestricted net assets	77,041	132,538	( 55,497)
Total net assets	<u>499,123</u>	<u>550,268</u>	<u>( 51,145)</u>
Total liab. & net assets	<u>\$ 525,455</u>	<u>\$ 579,391</u>	<u>\$( 53,936)</u>

Current and other assets decreased by \$58,288, in part, due to the reduction in certificate of deposits of \$20,847 and a HUD receivable of \$26,917.

Current liabilities decreased by \$1,324, in part, decreasing accounts payable to vendors by \$1,504 from the prior fiscal year.

The largest portion of the Commission's net assets reflects its investment in capital assets (e.g. land, buildings and equipment) less accumulated depreciation. The Commission uses these capital assets to provide service and consequently these assets are not available to liquidate liabilities or other spending. The increase of \$4,352 in capital assets, is due to the depreciation expense of \$40,294, netted against net, capital outlays of \$44,646.

While the Statement of Net Assets shows the change in financial position of net assets, the Statements of Revenues, Expenses, and Changes in Net Assets provides answers as to the nature and source of these changes.

As can be seen in the following table total revenues and contributions decreased by \$18,017, from the prior fiscal year. Tenant rents increased by \$3,205 over the prior fiscal year, due to tenant incomes being higher. Other income increased by \$5,571 over the prior year, due in part from a reimbursement of \$7,701 for a survey/market study by MSHDA.

East Jordan Housing Commission  
Management's Discussion and Analysis (MD&A)  
December 31, 2007  
(Continued)

**FINANCIAL ANALYSIS (CONTINUED)**

**CONDENSED STATEMENTS OF REVENUES, EXPENSES,  
AND CHANGES IN NET ASSETS DECEMBER 31,**

	<u>2007</u>	<u>2006</u>	<u>Net Change</u>
<b>Revenues and Contributions</b>			
Dwelling rent	\$ 78,699	\$ 75,494	\$ 3,205
Interest income	4,695	5,014	( 319)
Other income	12,841	7,270	5,571
HUD operating grants	43,075	49,800	( 6,725)
Capital contributions	19,300	39,049	( 19,749)
Total Revenues and Contributions	<u>158,610</u>	<u>176,627</u>	<u>( 18,017)</u>
<b>Expenses</b>			
Personal services	79,442	76,274	3,168
Utilities	25,526	25,705	( 179)
Operations and maintenance	37,386	12,912	24,474
Insurance	6,860	7,581	( 721)
Other supplies and expenses	20,247	20,830	( 583)
Depreciation	40,294	37,155	3,139
Total Expenses	<u>209,755</u>	<u>180,457</u>	<u>29,298</u>
<b>Change in Net Assets</b>	<u>\$ ( 51,145)</u>	<u>\$ ( 3,830)</u>	<u>\$ ( 47,315)</u>

Total expenses for the Commission increased by \$29,298, in large part, due to water damages to the Community Room and wage and benefit increases due to cost of living increases.

The following represents changes in Federal Assistance received:

<u>Program Source</u>	<u>12/31/07</u>	<u>12/31/06</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Public Housing Operating Subsidy	\$ 28,506	\$ 42,785	\$ ( 14,279)	(33.4)%
Capital Fund Program	<u>33,869</u>	<u>46,064</u>	<u>( 12,195)</u>	<u>(26.5)%</u>
Total	<u>\$ 62,375</u>	<u>\$ 88,849</u>	<u>\$ ( 26,474)</u>	<u>(29.8)%</u>

The above chart is segregated as to the Program source of funds, not the use of funds. The Public Housing subsidy decreased from the prior year due to a combination of factors including tenant rent changes, utilities, and HUD's adjustments. Capital Fund Program grants were used for both capital improvements and for operating purposes. During the fiscal year ending September 30, 2007 the 2005 CFP grant of \$37,506 expended \$37,506 this fiscal, of which, \$37,506 was for capital outlays and the 2006 CFP grant of \$35,984 expended \$17,494, of which, \$7,140 was for capital outlays this fiscal year.

**East Jordan Housing Commission  
Management's Discussion and Analysis (MD&A)  
December 31, 2007  
(Continued)**

**FINANCIAL ANALYSIS (CONTINUED)**

**Budget Analysis:**

A Low Rent Public Housing Operating Budget for the fiscal year ended December 31, 2007 was prepared.

**OPERATIONAL HIGHLIGHTS**

The East Jordan Housing Commission provided 27 housing units to very low-income elderly and persons with disabilities during the fiscal year ending December 31, 2007. During the fiscal year ending December 31, 2007, the East Jordan Housing Commission maintained a lease-up rate of 97.2% in its Public Housing Program. This lease-up rate is in line with HUD guidelines.

Funding levels for operations and capital improvements are not expected to continue to increase, in accordance with funding cuts at the federal level for these programs. East Jordan Housing Commission will continue to provide safe, affordable housing to eligible persons of low income, and will pursue capital improvements in accordance with the five-year and annual plan. There are no other currently known facts, decisions, or conditions that are expected to have a significant effect on financial position(net assets) or results of operations(revenues, expenses, and other changes in net assets).

**CAPITAL ASSETS**

The East Jordan Housing Commission's investment in capital assets, as of December 31, 2007 amounts to \$422,082 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and equipment.

**CAPITAL ASSETS  
NET OF ACCUMULATED DEPRECIATION  
DECEMBER 31,**

	<u>2007</u>	<u>2006</u>	<u>Dollar Change</u>
Land	\$ 170,343	\$ 169,843	\$ 500
Buildings	833,987	785,321	48,666
Furniture, equip. & machinery-dwellings	18,245	17,671	574
Furniture, equip. & machinery-admin.	40,731	39,094	1,637
Building improvements	84,711	84,711	
Construction in progress	10,890	18,536	( 7,646)
	<u>1,158,907</u>	<u>1,115,176</u>	<u>43,731</u>
Accumulated depreciation	( 736,825)	( 697,446)	( 39,379)
Total	<u>\$ 422,082</u>	<u>\$ 417,730</u>	<u>\$ 4,352</u>

**East Jordan Housing Commission  
Management's Discussion and Analysis (MD&A)  
December 31, 2007  
(Continued)**

**CAPITAL ASSETS (CONTINUED)**

The total increase in the Commission's capital assets for the current fiscal year was \$4,352 or 1.0% in terms of net book value.

Capital outlays this year included the following: floor covering, cupboards, tables for the community room, tubs, ranges and refrigerators, and sidewalk and drive improvements.

The next year we will be spending capital funds on sidewalk and driveway repairs, a new sign, new doors on the maintenance room, steam cleaning the brick around the building, painting of doorways and windows, and the continued remodelization of the senior apartments.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The Housing Commission is primarily dependent upon HUD for the funding of operations as well as capital needs. Therefore, the Housing Commission is affected more by the Federal Budget than by local economic conditions. The funding of programs could be significantly affected by the Federal Budget.

Although the Housing Commission remains concerned about the future levels of HUD funding due to the state of the federal budget, we feel that the federal government will continue to provide us with the funding to continue to provide safe, sanitary, and decent housing to our residents.

**REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in its finances. Questions or comments concerning any of the information contained in this report or request for additional information should be directed to:

Ginny Carey, Executive Director  
451 Water Street  
East Jordan, Michigan 49727

FINANCIAL STATEMENTS

EAST JORDAN HOUSING COMMISSION

STATEMENT OF NET ASSETS

December 31, 2007

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ASSETS

Current Assets:

Cash and cash equivalents	\$ 38,365
Receivables	2,898
Investments-unrestricted	61,297
Prepaid expenses	<u>813</u>

Total Current Assets	<u>103,373</u>
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Capital Assets:

Land	170,343
Buildings	833,987
Equipment	58,976
Building improvements	84,711
Construction in progress	<u>10,890</u>

1,158,907

Less: accumulated depreciation	<u>( 736,825)</u>
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Net Capital Assets	<u>422,082</u>
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Total Assets	<u>\$ 525,455</u>
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See notes to financial statements

EAST JORDAN HOUSING COMMISSION  
STATEMENT OF NET ASSETS (CONTINUED)  
December 31, 2007  
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**LIABILITIES and NET ASSETS**

Current Liabilities:

Accounts payable	\$ 6,508
Accounts payable-other government	4,096
Tenant security deposit liability	2,600
Accrued expenses	5,164
Deferred revenues	<u>1,639</u>

Total Current Liabilities 20,007

Noncurrent Liabilities:

Accrued compensated absences	<u>6,325</u>
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Total Noncurrent Liabilities 26,332

Net Assets:

Invested in capital assets	422,082
Unrestricted net assets	<u>77,041</u>

Total Net Assets 499,123

Total Liabilities and Net Assets \$ 525,455

See notes to financial statements

EAST JORDAN HOUSING COMMISSION  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN NET ASSETS

Year Ended December 31, 2007  
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**OPERATING REVENUES:**

Dwelling rent	\$ 78,699
Operating grants	<u>43,075</u>

Total operating revenues	<u>121,774</u>
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**OPERATING EXPENSES:**

Administration	68,015
Tenant services	187
Utilities	25,526
Ordinary maintenance and operation	44,415
General expenses	14,959
Extraordinary maintenance	6,848
Casualty losses	9,511
Depreciation	<u>40,294</u>

Total operating expenses	<u>209,755</u>
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Operating income(loss)	<u>( 87,981)</u>
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**NONOPERATING REVENUES:**

Investment interest income	4,695
Other income	<u>12,841</u>

Total nonoperating revenues	<u>17,536</u>
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**CAPITAL CONTRIBUTIONS**

	<u>19,300</u>
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Change in net assets	( 51,145)
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Net assets, beginning	<u>550,268</u>
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Net assets, ending	<u><u>\$ 499,123</u></u>
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See notes to financial statements



EAST JORDAN HOUSING COMMISSION  
STATEMENT OF CASH FLOWS  
Year Ended December 31, 2007  
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**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash received from dwelling and nondwelling rents	\$ 78,163
Cash received from operating grants	69,992
Cash payments to other suppliers of goods and services	( 87,448)
Cash payments to employees for services	( 82,190)
Cash payments for in lieu of taxes	<u>( 4,047)</u>
Net cash (used) by operating activities	<u>( 25,530)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:**

Tenant security deposits	( 50)
Other revenue	<u>13,111</u>
Net cash provided by noncapital financing activities	<u>13,061</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:**

Capital grants	19,300
Payments for capital acquisitions	<u>( 44,646)</u>
Net cash (used) by capital and related financing activities	<u>( 25,346)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Investments decreased	44,813
Receipts of interest and dividends	<u>4,688</u>
Net cash provided by investing activities	<u>49,501</u>

Net increase(decrease) in cash	11,686
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Cash, beginning	<u>26,679</u>
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Cash, ending	<u>\$ 38,365</u>
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EAST JORDAN HOUSING COMMISSION  
STATEMENT OF CASH FLOWS (CONTINUED)  
Year Ended December 31, 2007  
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RECONCILIATION OF OPERATING INCOME(LOSS)  
TO NET CASH PROVIDED (USED) BY  
OPERATING ACTIVITIES:

Operating income(loss)	\$( 87,981)
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:	
Depreciation	40,294
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable-HUD	26,917
Accounts receivable-tenants	( 1,993)
Prepaid expenses and other assets	( 21)
Increase (decrease) in liabilities:	
Accounts payable	( 1,504)
Accrued wages/payroll taxes	( 1,306)
Accrued compensated absences	( 1,442)
Deferred revenues	1,457
Accounts payable-PILOT	<u>49</u>
Net cash (used) by operating activities	<u><u>\$( 25,530)</u></u>

See notes to financial statements

EAST JORDAN HOUSING COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2007  
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**NOTE 1: Summary of Significant Accounting Policies**

The East Jordan Housing Commission (Housing Commission) is a component unit of the City of East Jordan, a Michigan home rule City. The Housing Commission is a Public Housing Agency created by the City of East Jordan on February 7, 1967, consisting of a five member board appointed by the City Mayor. The Commission was established to provide low-rent housing, under the low rent program Annual Contributions Contract for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other Federal agencies.

The Housing Commission complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the financial statements for the proprietary fund, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the Housing Commission the option of electing to apply FASB pronouncements issued after November 30, 1989, except for those that conflict with or contradict a GASB pronouncement. The Housing Commission has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

**1(a) Financial Reporting Entity**

The Housing Commission's financial reporting entity comprises the following:

Primary Government: East Jordan Housing Commission

In determining the financial reporting entity, the Housing Commission complies with the provisions of GASB Statement No. 14 as amended by GASB No. 39, "The Financial Reporting Entity", and includes all component units, if any, of which the Housing Commission appointed a voting majority of the units' board; the Housing Commission is either able to impose its will on the unit or a financial benefit or burden relationship exists. There are no agencies, organizations or activities meeting this criteria.

### **1(b) Basis of Presentation**

Financial statements of the reporting entity's programs are organized and reported as an enterprise fund and are accounted for by providing a set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Enterprise funds are used to account for business-like activities provided to its tenants. These activities are financed primarily by user charges and/or Federal funding and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes all of the Housing Commission's programs as an enterprise fund.

Following is a description of the Housing Commission's programs:

<b>Program</b>	<b>Brief Description</b>
Low Rent	Accounts for activities of the Public and Indian Housing program which HUD provides an annual subsidy to help public housing agencies (PHAs) pay some of the cost of operating and maintaining public housing units.
Capital Fund Program	Accounts for activities of the Capital Fund which provides funds to housing commissions to modernize public housing developments.

### **1(c) Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

#### **Measurement Focus**

In the financial statements, the "economic resources" measurement focus is used as follows:

The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

#### **Basis of Accounting**

In the financial statements, the proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

## **1(d) Assets, Liabilities, and Equity**

### **Cash and Investments**

For the purpose of the Statement of Net Assets, "cash and cash equivalents" includes all demand, savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less. For the purpose of the Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are carried at fair value except for short-term U.S. Treasury obligations, if any, with a remaining maturity at the time of purchase of one year or less. Those investments, if any, are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Notes 2(b) and 3(a).

### **Interprogram Receivables and Payables**

During the course of operations, numerous transactions occur within individual programs that may result in amounts owed between these programs. Offsetting interprograms are eliminated for financial statement presentation.

### **Receivables**

Receivables consist of all revenues earned at year-end and not yet received. Tenant accounts receivable, accrued interest receivable and accounts receivable from U.S. Department of Housing and Urban Development compose the majority of receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

### **Inventories**

Inventories are valued at average cost, and consist of expendable supplies held for consumption. The cost of inventories are recorded as expenditures when consumed, rather than when purchased.

### **Budgets and Budgetary Accounting**

The Commission adopts a formal operating budget each year for its operating programs and on a project length basis for its capital expenditures which are approved by the Board of Commissioners and submitted to the Department of Housing and Urban Development for their approval, if required.

### **Estimates and Assumptions**

The Housing Commission uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and

## **1(d) Assets, Liabilities, and Equity (Continued)**

### **Estimates and Assumptions (Continued)**

expenses.

#### **Capital Assets**

The accounting treatment over property, plant, and equipment (capital assets) is as follows:

In the financial statements, capital assets purchased or acquired with an original cost of \$600 or more are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense depending on the program where the asset is shown, in the Statement of Revenues, Expenses, and Changes in Net Assets, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	40 years
Building improvements	5 - 20 years
Furniture, equipment and machinery	3 - 20 years

#### **Compensated Absences**

The Housing Commission's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as short-term and long-term liabilities based on historical trends. In accordance with the provisions of GASB Statement No. 16, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

#### **Equity Classifications**

Equity is classified as net assets and displayed in two components:

- a. Invested in capital assets, net of related debt: Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets. The Housing Commission had no related debt.
- b. Unrestricted net assets: All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

## **1(e) Revenues, Expenditures, and Expenses**

### **Operating Revenues and Expenses**

Operating revenues and expenses are those that result from providing services and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Non-operating revenues and expenses are those that are not operating in nature.

### **Interfund Transfers**

For the purposes of the Statement of Revenues, Expenses, and Changes in Net Assets, all interfund transfers between individual programs, if any, have been eliminated.

## **NOTE 2: Stewardship, Compliance, and Accountability**

The Housing Commission and its component units, if any, are subject to various federal, state, and local laws and contractual regulations. An analysis of the Housing Commission's compliance with significant laws and regulations and demonstration of its stewardship over Housing Commission resources follows:

### **2(a) Program Accounting Requirements**

The Housing Commission complies with all state and local laws and regulations requiring the use of separate programs. The programs used by the Housing Commission are as follows:

<b>Program</b>	<b>Required By</b>
Public and Indian Housing	U.S. Department of HUD
Capital Fund Program	U.S. Department of HUD

### **2(b) Deposits and Investments Laws and Regulations**

In accordance with state law, all uninsured deposits of the Housing Commission in financial institutions must be secured with acceptable collateral valued at the lower of market or par. All financial institutions pledging collateral to the Housing Commission must have a written collateral agreement. As reflected in Note 3(a), all deposits were fully insured or collateralized.

Investments of the Housing Commission are limited by state law to the following:

- a. Direct obligations of the U.S. Government or its agencies or instrumentalities to which acceptable collateral is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral.

## 2(c) Revenue Restrictions

The Housing Commission has various restrictions placed over certain revenue sources. The primary restricted revenue sources include:

<i>Revenue Source</i>	<i>Legal Restrictions of Use</i>
Capital Fund Program	Modernization

For the fiscal year ended December 31, 2007, the Housing Commission complied in all material respects, with these revenue restrictions.

## 2(d) Income Taxes

As a component unit of a Michigan City, the Housing Commission is exempt from federal and state income taxes. The Housing Commission has no unrelated business income.

## NOTE 3: Detail Notes on Transactions Classes/Accounts

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

## 3(a) Cash and Investments

### Deposits

The Housing Commission's policies regarding deposits of cash are discussed in Note 1(d). The table presented below is designed to disclose the level of custody credit risk assumed by the Housing Commission based upon how its deposits were insured or secured with collateral at December 31, 2007. The categories of credit risk are defined as follows:

Category 1: Insured by FDIC or collateralized with securities held by the Housing Commission(or public trust) or by its agent in its name.

Category 2: Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Housing Commission's name.

Category 3: Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Housing Commission's name; or collateralized with no written or approved collateral agreement.



### 3(a) Cash and Investments (Continued)

#### Deposits (Continued)

	Total Bank Balance	Custody Category 1	Credit Category 2	Risk Category 3	Total Carrying Value
Demand deposits	\$ 12,917	\$ 12,917	\$	\$	\$ 14,249
Certificate of deposits	23,966	23,966			23,966
Savings	<u>125</u>	<u>125</u>			<u>125</u>
Total Deposits	<u>\$ 37,008</u>	<u>\$ 37,008</u>	<u>\$</u>	<u>\$</u>	<u>\$ 38,340</u>

#### Investments

The Housing Commission's policies and applicable laws regarding investments are discussed in Notes 1(d) and 2(b). The table presented below is designed to disclose the level of market risk and custody credit risk assumed by the Housing Commission (or public trust) based upon whether the investments are insured or registered and upon who holds the security at December 31, 2007. The categories of credit risk are defined as follows:

Category 1: Insured or registered with securities held by the Housing Commission or its agent in the Housing Commission's name.

Category 2: Uninsured and unregistered with securities held by counterparty's trust department or agent in the Housing Commission's name.

Category 3: Uninsured and unregistered with securities held by the counterparty or by its trust department or agent but not in the Housing Commission's name.

	Custody Category 1	Credit Category 2	Risk Category 3	Carrying Amount	Fair Value
Certificate of deposits	<u>\$ 61,297</u>	<u>\$</u>	<u>\$</u>	<u>\$ 61,297</u>	<u>\$ 61,297</u>

A reconciliation of cash as shown on the combined statement of net assets follows:

Carrying amount of deposits	\$ 38,340
Petty cash	25
Investments	<u>61,297</u>
Total	<u>\$ 99,662</u>

### 3(a) Cash and Investments (Continued)

#### Investments (Continued)

Cash and cash equivalents:

Enterprise activities	\$ 98,335
Enterprise activities - deposits in transit	1,550
Enterprise activities - checks written in excess of deposits	( 223)
Total	<u>\$ 99,662</u>

### 3(b) Accounts Receivable

Receivables detail at December 31, 2007, is as follows:

HUD	\$ 179
Tenants	2,570
Accrued interest	149
	<u>\$ 2,898</u>

### 3(c) Capital Assets

Capital asset activity for the year ended December 31, 2007 was as follows:

	<u>Balance</u> <u>12/31/06</u>	<u>Additions/</u> <u>Transfers</u>	<u>Retirements/</u> <u>Transfers</u>	<u>Balance</u> <u>12/31/07</u>
<b>Low Rent Program</b>				
Land	\$ 169,843	\$ 500	\$	\$ 170,343
Buildings	753,902	56,265		810,167
Furniture, equip. & machinery - dwellings	16,122	880	408	16,594
Furniture, equip. & machinery - administration	34,802	3,953	506	38,249
Building improvements	<u>84,711</u>			<u>84,711</u>
	1,059,380	<u>\$ 61,598</u>	<u>\$ 914</u>	1,120,064
Less accumulated depreciation	<u>( 693,331)</u>	<u>\$( 40,630)</u>	<u>\$</u>	<u>( 733,961)</u>
Total	<u>\$ 366,049</u>			<u>\$ 386,103</u>

### 3(c) Capital Assets (Continued)

	Balance 12/31/06	Additions/ Transfers	Retirements/ Transfers	Balance 12/31/07
<b>Capital Fund Program</b>				
Buildings	\$ 31,419	\$	\$ ( 7,599)	\$ 23,820
Furniture, equip. & machinery - dwellings	1,549	102		1,651
Furniture, equip. & machinery - administration	4,292		( 1,810)	2,482
Construction in progress	<u>18,536</u>	<u></u>	<u>( 7,646)</u>	<u>10,890</u>
	55,796	<u>\$ 102</u>	<u>\$ ( 17,055)</u>	38,843
Less accumulated depreciation	<u>( 4,115)</u>	<u>\$ ( 2,831)</u>	<u>\$ 4,082</u>	<u>( 2,864)</u>
Total	<u>\$ 51,681</u>			<u>\$ 35,979</u>
<b>Combined Totals</b>				<u>\$ 422,082</u>

### 3(d) Interprogram Transactions and Balances

The Capital Fund Program transferred \$2,497 to the Low Rent Program during the fiscal year ending December 31, 2007.

The capital fund program owed \$179 the low rent program as of December 31, 2007.

### NOTE 4: Other Information

#### 4(a) Pension Plan

The Housing Commission participates with the City of East Jordan in a defined benefit plan with the Michigan Municipal Employees Retirement System (MERS) that provides for annual employer and employee contributions with complete vesting after 10 years of service. At December 31, 2007, the date of the last completed actuarial evaluation, the City of East Jordan and the Housing Commission's combined present value of accrued benefits for retirement benefits was \$2,821,258 (employer and employee combined). Assets available to meet this obligation were \$2,849,694, for an underfunded present value of accrued benefits of \$(28,436). The total required employer contribution was \$92,376 and each employee contributes 3% of compensation. A copy of the MERS report can be obtained from MERS by calling (800) 767-6377 or further details are available from East Jordan Housing Commission, 451 Water Street, East Jordan, MI 49727.

#### 4(b) Equity Transfers

##### Low Rent Program

Close/Transfer 2004 CFP \$ 32,171

##### Capital Fund Program

Close/Transfer 2004 CFP \$(32,171)

#### 4(c) Risk Management

The Housing Commission is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees, employees health and life; and natural disasters. The Housing Commission manages these various risks of loss as follows:

Type of Loss	Method Managed
a. Crime, building and contents, errors and omissions, and auto.	Purchased insurance with the Michigan Township Participating Plan.
b. Injuries to employees (workers' compensation)	The Housing Commission is in the City of East Jordan's plan.

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Housing Commission. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

#### 4(d) Commitments and Contingencies

##### Commitments - Construction

At December 31, 2007, the Housing Commission had the following pending construction projects in progress:

	<u>Funds Approved</u>	<u>Funds Expended - Project to Date</u>
2005 CFP	\$ 37,506	\$ 37,506
2006 CFP	35,984	17,494
2007 CFP	34,964	-

##### Contingencies

The Housing Commission is subject to possible examination by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Housing Commission in the current and prior years. No significant violations of finance-related legal or contractual provisions occurred.

SUPPLEMENTARY INFORMATION

EAST JORDAN HOUSING COMMISSION  
COMBINING STATEMENT OF NET ASSETS  
BY PROGRAM

December 31, 2007

=====

	Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
<b>ASSETS</b>		
Current assets:		
Cash-unrestricted	\$ 35,765	\$
Cash-tenant security deposits	2,600	
Receivables:		
HUD		179
Tenants	2,570	
Accrued interest	149	
Investments-unrestricted	61,297	
Prepaid expenses and other assets	813	
Due from other program	<u>179</u>	
Total current assets	<u>103,373</u>	<u>179</u>
Capital assets:		
Land	170,343	
Buildings	810,167	23,820
Equipment	54,843	4,133
Building improvements	84,711	
Construction in progress	<u>10,890</u>	
	1,120,064	38,843
Less accumulated depreciation	<u>( 733,961)</u>	<u>( 2,864)</u>
Net capital assets	<u>386,103</u>	<u>35,979</u>
Total Assets	<u>\$ 489,476</u>	<u>\$ 36,158</u>

	<u>Totals</u>
\$	35,765
	2,600
	179
	2,570
	149
	61,297
	813
	<u>179</u>
	<u>103,552</u>
	170,343
	833,987
	58,976
	84,711
	<u>10,890</u>
	1,158,907
	<u>( 736,825)</u>
	<u>422,082</u>
\$	<u>525,634</u>

EAST JORDAN HOUSING COMMISSION  
 COMBINING STATEMENT OF NET ASSETS  
 BY PROGRAM (CONTINUED)  
 December 31, 2007  
 =====

	Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
<b>LIABILITIES and NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 6,508	\$
Accounts payable-other government	4,096	
Tenant security deposit liability	2,600	
Accrued expenses	5,164	
Deferred revenues	1,639	
Due to other programs		<u>179</u>
Total current liabilities	20,007	179
Noncurrent liabilities:		
Accrued compensated absences	<u>6,325</u>	
Total liabilities	<u>26,332</u>	<u>179</u>
Net assets:		
Invested in capital assets	386,103	35,979
Unrestricted net assets	<u>77,041</u>	
Total net assets	<u>463,144</u>	<u>35,979</u>
Total Liabilities and Net Assets	<u>\$ 489,476</u>	<u>\$ 36,158</u>



Totals

\$ 6,508  
4,096  
2,600  
5,164  
1,639  
179

20,186

6,325

26,511

422,082

77,041

499,123

\$ 525,634

EAST JORDAN HOUSING COMMISSION  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND  
 CHANGES IN NET ASSETS BY PROGRAM**  
 Year Ended December 31, 2007  
 =====

	Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
<b>OPERATING REVENUES:</b>		
Dwelling rent	\$ 78,699	\$
Operating grants	<u>28,506</u>	<u>14,569</u>
Total operating revenues	<u>107,205</u>	<u>14,569</u>
<b>OPERATING EXPENSES:</b>		
Administration	66,087	1,928
Tenant services	187	
Utilities	25,526	
Ordinary maintenance and operation	34,271	10,144
General expenses	14,959	
Extraordinary maintenance	6,848	
Casualty losses	9,511	
Depreciation	<u>37,463</u>	<u>2,831</u>
Total operating expenses	<u>194,852</u>	<u>14,903</u>
Operating income(loss)	<u>( 87,647)</u>	<u>( 334)</u>
<b>NONOPERATING REVENUES(EXPENSES) :</b>		
Operating transfers in(out)	2,497	( 2,497)
Investment interest income	4,695	
Other income	<u>12,841</u>	<u></u>
Total nonoperating revenues (expenses)	<u>20,033</u>	<u>( 2,497)</u>
<b>CAPITAL CONTRIBUTIONS</b>	<u></u>	<u>19,300</u>
Change in net assets	( 67,614)	16,469
Equity transfers	32,171	(32,171)
Net assets, beginning	<u>498,587</u>	<u>51,681</u>
Net assets, ending	<u>\$ 463,144</u>	<u>\$ 35,979</u>

Totals

\$ 78,699  
43,075

121,774

68,015  
187  
25,526  
44,415  
14,959  
6,848  
9,511  
40,294

209,755

( 87,981 )

4,695  
12,841

17,536

19,300

( 51,145 )

550,268

\$ 499,123

EAST JORDAN HOUSING COMMISSION  
COMBINING STATEMENT OF CASH FLOWS  
BY PROGRAM

Year Ended December 31, 2007

=====

	Low Rent Program 14.850a	Capital Fund Program 14.872
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from dwelling rents	\$ 78,163	\$
Cash received from operating grants	34,291	35,701
Cash payments to other suppliers of goods and services	( 75,376)	( 12,072)
Cash payments to employees for services	( 82,190)	
Cash payments for in lieu of taxes	( 4,047)	
Net cash (used) by operating activities	( 49,159)	23,629
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Operating transfers in(out)	2,497	( 2,497)
Interprogram due from/payable	21,132	( 21,132)
Tenant security deposits	( 50)	
Other revenue	13,111	
Net cash provided (used) by noncapital financing activities	36,690	( 23,629)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Capital grants		19,300
Payments for capital acquisitions	( 25,346)	( 19,300)
Net cash (used) by capital and related financing activities	( 25,346)	
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investments decreased	44,813	
Receipts of interest and dividends	4,688	
Net cash provided by investing activities	49,501	
Net increase(decrease) in cash	11,686	
Cash, beginning	26,679	
Cash, ending	\$ 38,365	\$

Totals

\$ 78,163  
69,992

( 87,448)  
( 82,190)  
( 4,047)

( 25,530)

( 50)  
13,111

13,061

19,300  
( 44,646)

( 25,346)

44,813  
4,688

49,501

11,686

26,679

\$ 38,365

EAST JORDAN HOUSING COMMISSION  
COMBINING STATEMENT OF CASH FLOWS  
BY PROGRAM (CONTINUED)

Year Ended December 31, 2007

=====

	Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
<b>RECONCILIATION OF OPERATING INCOME</b>		
<b>(LOSS) TO NET CASH PROVIDED(USED)</b>		
<b>BY OPERATING ACTIVITIES:</b>		
Operating income(loss)	\$( 87,647)	\$( 334)
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:		
Depreciation	37,463	2,831
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable-HUD	5,785	21,132
Accounts receivable-tenants	( 1,993)	
Prepaid expenses and other assets	( 21)	
Increase (decrease) in liabilities:		
Accounts payable	( 1,504)	
Accrued wages/payroll taxes	( 1,306)	
Accrued compensated absences	( 1,442)	
Deferred revenues	1,457	
Accounts payable-PILOT	<u>49</u>	
Net cash (used) by operating activities	<u>\$( 49,159)</u>	<u>\$ 23,629</u>

Totals

\$ ( 87,981)

40,294

26,917  
( 1,993)

( 21)

( 1,504)

( 1,306)

( 1,442)

1,457

49

\$ ( 25,530)

## EAST JORDAN HOUSING COMMISSION

## FINANCIAL DATA SCHEDULE

Year Ended December 31, 2007

=====

FDS Line Item No.		Low Rent Program 14.850a	Capital Fund Program 14.872
	<b>ASSETS</b>		
	Current Assets:		
	Cash:		
111	Cash-unrestricted	\$ 35,765	\$
114	Cash-tenant security deposits	<u>2,600</u>	<u></u>
100	Total cash	<u>38,365</u>	<u></u>
	Receivables:		
122	A/R-HUD other projects		179
126	A/R-tenants-dwelling rents	2,570	
129	Accrued interest receivable	<u>149</u>	<u></u>
120	Total receivables, net of allowance for doubtful accounts	<u>2,719</u>	<u>179</u>
	Current Investments:		
131	Investments-unrestricted	<u>61,297</u>	<u></u>
	Other Current Assets:		
142	Prepaid expenses and other assets	813	
144	Interprogram due from	<u>179</u>	<u></u>
	Total other current assets	<u>992</u>	<u></u>
150	Total current assets	<u>103,373</u>	<u>179</u>
	Noncurrent Assets:		
	Fixed assets:		
161	Land	170,343	
162	Buildings	810,167	23,820
163	Furn, equip & mach-dwellings	16,594	1,651
164	Furn, equip & mach-admin.	38,249	2,482
165	Building improvements	84,711	
166	Accumulated depreciation	( 733,961)	( 2,864)
167	Construction in progress	<u></u>	<u>10,890</u>
160	Total fixed assets, net of accumulated depreciation	<u>386,103</u>	<u>35,979</u>
180	Total noncurrent assets	<u>386,103</u>	<u>35,979</u>
190	Total Assets	<u>\$ 489,476</u>	<u>\$ 36,158</u>



<u>Totals</u>	
\$	35,765
	<u>2,600</u>
	38,365
	179
	2,570
	<u>149</u>
	2,898
	<u>61,297</u>
	813
	<u>179</u>
	992
	<u>103,552</u>
	170,343
	833,987
	18,245
	40,731
	84,711
(	736,825)
	<u>10,890</u>
	<u>422,082</u>
	<u>422,082</u>
\$	<u><u>525,634</u></u>

EAST JORDAN HOUSING COMMISSION  
**FINANCIAL DATA SCHEDULE (CONTINUED)**  
Year Ended December 31, 2007  
=====

FDS Line Item No.		Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
<b>LIABILITIES AND EQUITY/NET ASSETS</b>			
	Liabilities:		
	Current Liabilities:		
312	Accounts payable<=90 days	\$ 6,508	\$
321	Accrued wage/payroll taxes payable	4,292	
322	Accrued compensated absences-current portion	872	
333	Accounts payable-other government	4,096	
341	Tenant security deposits	2,600	
342	Deferred revenues	1,639	
347	Interprogram due to		<u>179</u>
310	Total current liabilities	20,007	179
	Noncurrent Liabilities:		
354	Accrued compensated absences	<u>6,325</u>	
300	Total liabilities	<u>26,332</u>	<u>179</u>
	Equity:		
508.1	Invested in capital assets	<u>386,103</u>	<u>35,979</u>
508	Total equity	386,103	35,979
	Net Assets:		
512.1	Unrestricted net assets	<u>77,041</u>	
513	Total equity/net assets	<u>463,144</u>	<u>35,979</u>
600	Total Liabilities and Equity/Net Assets	<u>\$ 489,476</u>	<u>\$ 36,158</u>

	<u>Totals</u>
\$	6,508
	4,292
	872
	4,096
	2,600
	1,639
	<u>179</u>
	20,186
	<u>6,325</u>
	<u>26,511</u>
	<u>422,082</u>
	422,082
	<u>77,041</u>
	<u>499,123</u>
\$	<u><u>525,634</u></u>

EAST JORDAN HOUSING COMMISSION  
**FINANCIAL DATA SCHEDULE (CONTINUED)**  
Year Ended December 31, 2007  
=====

FDS Line Item No.		Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
	<b>Revenue:</b>		
703	Net tenant rental revenue	\$ 78,699	\$
704	Tenant revenue-other		
705	Total tenant revenue	<u>78,699</u>	
706	HUD PHA grants	28,506	14,569
706.1	Capital grants		19,300
711	Investment income-unrestricted	4,695	
715	Other revenue	<u>12,841</u>	
700	Total revenue	<u>124,741</u>	<u>33,869</u>
	<b>Expenses:</b>		
	Administrative:		
911	Administrative salaries	35,352	
912	Auditing fees	2,750	
914	Compensated absences	58	
915	Employee benefit contributions-adm.	20,644	
916	Other operating-administrative	7,283	1,928
	Tenant Services:		
924	Tenant services-other	187	
	Utilities:		
931	Water	7,748	
932	Electricity	8,677	
933	Gas	9,101	
	Ordinary maintenance and operation:		
941	Ordinary maint & oper-labor	21,317	
942	Ordinary maint & oper-mat'ls & other	2,291	7,713
943	Ordinary maint & oper-contract costs	8,592	2,431
945	Employee benefit contributions- ordinary maintenance	2,071	
	General expenses:		
961	Insurance premiums	6,860	
962	Other general expenses	4,003	
964	Bad debt-tenant rents	<u>4,096</u>	
969	Total operating expenses	<u>141,030</u>	<u>12,072</u>
970	Excess operating revenue over operating expenses	<u>( 16,289)</u>	<u>21,797</u>

Totals  
\$ 78,699

78,699  
43,075  
19,300  
4,695  
12,841

158,610

35,352  
2,750  
58  
20,644  
9,211

187

7,748  
8,677  
9,101

21,317  
10,004  
11,023

2,071

6,860  
4,003  
4,096

153,102

5,508

EAST JORDAN HOUSING COMMISSION  
**FINANCIAL DATA SCHEDULE (CONTINUED)**  
Year Ended December 31, 2007  
=====

FDS Line Item No.		Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
	<b>Expenses continued:</b>		
	Other expenses:		
971	Extraordinary maintenance	6,848	
972	Casualty losses-noncapitalized	9,511	
974	Depreciation expense	<u>37,463</u>	<u>2,831</u>
	Total other expenses	<u>53,822</u>	<u>2,831</u>
900	Total expenses	<u>194,852</u>	<u>14,903</u>
	<b>Other Financing Sources(Uses):</b>		
1001	Operating transfers in	2,497	
1002	Operating transfers (out)	<u>          </u>	( <u>2,497</u> )
	Total other financing sources(uses)	<u>2,497</u>	( <u>2,497</u> )
1000	Excess (deficiency) of operating revenue over(under) expenses	( 67,614)	16,469
1104	Prior period adjustments, equity transfers and correction of errors	32,171	( 32,171)
1103	Beginning Net Assets	<u>498,587</u>	<u>51,681</u>
	Ending Net Assets	<u>\$ 463,144</u>	<u>\$ 35,979</u>

Totals

6,848

9,511

40,294

56,653

209,755

2,497

( 2,497)

( 51,145)

550,268

\$ 499,123

**Barry E. Gaudette, CPA, P.C.**

CERTIFIED PUBLIC ACCOUNTANT

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**Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance  
with Government Auditing Standards**

Board of Housing Commissioners  
East Jordan Housing Commission  
East Jordan, Michigan

I have audited the financial statements of the business-type activities of the East Jordan Housing Commission, Michigan, (Housing Commission) as of and for the year ended December 31, 2007, which comprise the Housing Commission's basic financial statements and have issued my report thereon dated September 9, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered the Housing Commission's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Commission's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Housing Commission's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Housing Commission's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Housing Commission's financial statements that is more than inconsequential will not be prevented or detected by the Housing Commission's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Housing Commission's internal control.



Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in Accordance  
with *Government Auditing Standards*  
East Jordan Housing Commission  
Page Two

**Internal Control Over Financial Reporting (Continued)**

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2007-1, 2007-2, 2007-3, and 2007-4, respectively.

This report is intended solely for the information and use of management, Board of Housing Commissioners, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Samy E. Jandath, CPA, PC*

September 9, 2008

EAST JORDAN HOUSING COMMISSION  
SCHEDULE OF FINDINGS  
December 31, 2007  
=====

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

**FINDING 2007-1:** Low Rent Public Housing Program, CFDA No. 14.850a

*Criteria:* 24 CFR 85 and HUD Handbook 7460.8 REV.2 (March 2007). Part 85 is the section of the Code of Federal Regulations, Title 24 that includes the administrative requirements for grantees receiving federal funds. Part 85 provides guidance on developing a procurement policy and system, important parts of a contract administration system, general guidance on the standard of conduct for PHA employees involved in procurement of goods and services, requirements for price and cost analysis. The handbook was revised in March 2007 and incorporates changes in Federal laws and regulations

*Statement of Condition:* The Housing Commission adopted a Procurement Policy on October 20, 1974 that needs to be updated.

*Questioned Costs:* None

*Perspective Information:* The handbook has been updated to clarify, simplify, and update procurement requirements for public housing. It incorporates changes in Federal laws, regulations, and other instructions.

*Cause:* Some of the areas that have been streamlined include: An increase in the small purchase threshold from \$25,000 to \$100,000 and the establishment of a micro-purchase threshold of \$2,000, requiring only one reasonable quote, among others. The current procurement policy uses \$500 to \$5,000 and in excess of \$5,000.

*Effect or Potential Effect:* The Housing Commission may not be following Federal laws and regulations by using an outdated procurement policy.

*Recommendation:* I recommend that the Housing Commission obtain the new handbook and adopt a new procurement policy to be in compliance.

EAST JORDAN HOUSING COMMISSION  
SCHEDULE OF FINDINGS (CONTINUED)

December 31, 2007

=====

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

**FINDING 2007-2:** Low Rent Public Housing Program - CFDA No. 14.850a

*Criteria:* 24 CFR 960.253 Choice of Rent

*Statement of Condition:* During testing of the tenant files, it was discovered that documentation of the tenant's choice of flat rent versus income based rent wasn't available in the tenant files.

*Questioned Costs:* None

*Perspective Information:* Out of the two files tested, none of the two had documentation for the choice of flat rent versus income based rent.

*Cause:* The staff in charge of this program was not aware of this regulation.

*Effect or Potential Effect:* Tenants may have been charged incorrect rents, tenants may not be aware of their rights, and tenants were not given a proper chance to select income based or flat rent.

*Recommendation:* It is recommended that the Housing Commission document the tenant's annual written choice of flat rent or income based rent in the future.

EAST JORDAN HOUSING COMMISSION  
SCHEDULE OF FINDINGS (CONTINUED)  
December 31, 2007  
=====

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

**FINDING 2007-3:** Low Rent Public Housing Program - CFDA No. 14.850a

*Criteria:* 24 CFR 5.240 Family disclosure of income information to the responsible entity and verification, 24 CFR 960.257 Family income and composition: Regular and interim reexaminations, and 24 CFR 960.259 Family information and verification.

*Statement of Condition:* During testing of the tenant files, it was discovered that there was not proper attempts to obtain information on tenant assets and then obtain proper verification of tenant assets in all cases.

*Questioned Costs:* None

*Perspective Information:* Out of the two files tested, neither of the two had all of the proper tenant asset documentation or the proper corresponding verifications. It should be noted that the Housing Commission has improved the file documentation process since last year's audit.

*Cause:* The staff member in charge of this program did not obtain information on possible tenant assets in all cases and then obtain the proper verification of those assets.

*Effect or Potential Effect:* Tenants may have been charged rents that were incorrect.

*Recommendation:* It is recommended that the staff obtain information on tenant assets and document the process in the tenant file. The staff should then obtain proper verifications of tenant assets using the proper levels of verification methods.

EAST JORDAN HOUSING COMMISSION  
SCHEDULE OF FINDINGS (CONTINUED)  
December 31, 2007  
=====

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

**FINDING 2007-4:** Low Rent Public Housing Program - CFDA No. 14.850a

*Criteria:* 24 CFR 960.202 Tenant Selection Policies and 24 CFR 960.206 Waiting List: Local preferences in admission to public housing program.

*Statement of Condition:* During testing of new admissions to the program, it was discovered that new admissions were not selected according to the Housing Commission's Policy. Therefore, new admissions were not selected in the correct order.

*Questioned Costs:* None

*Cause:* The staff member in charge of this program did not follow the Housing Commission's Policy when selecting new admissions.

*Effect or Potential Effect:* Eligible tenants may not have been admitted to the program, or they may not have been admitted in the correct order.

*Recommendation:* It is recommended that the Housing Commission either follow their policy when selecting new admissions to the program or change their policy to match their method of selecting new admissions to the program. Also, it is recommended that the Housing Commission update their policy. It is recommended that the Housing Commission continue to document the process by placing a copy of a current waiting list sorted by preference in a central file every time there is an event that results in a change in the order of the applicants on the waiting list. In addition, if new admissions are not at the top of the waiting list at the time of admission, there should be adequate documentation for anyone above them on the waiting list as to why they were skipped.